1: Braham S-4 (no date) 1954 ED1 Rumania ED1

of the Soviet world. It is the first document to reconcile the conflict hitherto existing between the satellite constitutions and two Soviet official theories: the one, relating to the essence and character of the "New Democracies," emphasizes in its latest version the substantial identity of the political and economic structures of the two types of "Soviet" and "popular" democracies; the other, the Soviet theory on constitutional law, supports the thesis that there can be no divergence between constitution and society in a "socially advanced and progressive" state. Previous satellite constitutions, however, in contradiction to Soviet legal theory that the constitution is a mirror reflecting changing reality—the legal crystallization of existing arrangements—did not correspond to the fundamental changes occurring in the state.

The new Rumanian Constitution,[1] however, assumes to reflect the enormous transformations that have taken place in the political and socio-economic life of the country since March, 1948, when the first Constitution of the People's Republic of Rumania was adopted. In the interval, the means of production, transportation, and banking have been nationalized; the "socialist sector" of agriculture has been widened by the ever-growing influence of the state through the establishment of state farms ("sovchozi") and tractor stations; collectivization of land has been consistently pursued through a policy aiming at the elimination of the "kulak" elements and the support of the lower and middle strata of the peasantry; two monetary reforms have completely changed the financial status of the population—while the leu has been stabilized and pegged to the ruble, the people have been deprived of their savings; the structure and functions of the central and local governmental agencies and of the judiciary has gradually developed along Soviet lines; the opposition has been eliminated and the rank-and-file of the Communist Party purged of "unreliable" or "deviationist"elements.

The new Constitution, as a whole, very closely approximates to its Soviet prototype. While the Constitution of 1948—advanced as it was at the time from the Soviet legal point of view—preserved some outward manifestations of "bourgeois constitutionalism," particularly in its technique and its neo-latin legal style, the framers of the new Constitution carefully avoided

[1] The new Constitution of the People's Republic of Rumania was adopted by the Grand National Assembly on September 24, 1952. It differed little in substance from the original Draft submitted to the Assembly (March 27, 1952) by the Constitutional Commission headed by Gheorghe Gheorghiu-Dej, President of the Council of Ministers and Secretary-General of the United Workers' (Communist) Party. Out of the 18,836 "suggestions for amendments" offered by the population, only 34 were accepted. Of these 28 were primarily editorial, 2 changed the composition of the Council of Ministers, one stipulated the tax-levying authority of the Grand National Assembly, and one provided for the inclusion of the initials RPR (Rumanian People's Republic) in the country's emblem. Two amendments, however, were more significant. One eradicated the peasantry's personal property rights, granted in the Draft, to the land and farm implements which they brought into the collectives; the other, seeking to dissipate the democratic world's allegations that the country had obviously become a "Soviet province," purports to establish the principle of complete sovereignty by the inclusion of the provision that Rumania is a "unitary, sovereign, and independent" state.

3: Roberts S-4 (no date)1951 ED1 Rumania ED1

and the collapse of the Eastern Front, Rumania was in a hopeless military position, and in March, 1918, it sued for peace. The pro-German Alexandru Marghiloman, who had remained behind in Bucarest, was entrusted with a new government. This government dissolved the constituent assembly, and Marghiloman declared that "the whole agrarian problem must be taken up anew from the beginning."

During the brief term of the Marghiloman government, Constantin Garoflid, Minister of Agriculture, introduced a series of agrarian measures: obligatory leases, the reorganization of the Ministry of Agriculture, and the organization of agricultural workers. Garoflid, though a Conservative and a landowner, had long been opposed to the latifundiary system in Rumania and desired to build up a prosperous medium peasantry. He regarded the 1917 amendment as "not a scientific work but an electoral manifesto." Although previously recognizing the need for expropriation, he considered such an extreme measure unsuited to wartime conditions and advocated forced leases of land to the peasants as a temporary solution. Much in Garoflid's program was conducive to a rational development of Rumanian agriculture. He may even have had in mind a progressive series of reforms, but his proposals were open to the criticism that in Rumania a policy advocating such moderation and gradualness most often meant doing nothing at all. His program, however, was not even to be begun.

The collapse of the Central Powers in the autumn of 1918, Rumania's reentry into the war, and the withdrawal of Mackensen's forces again reversed the situation. The Marghiloman government was dismissed and its laws declared null and void. With the breakdown of the Central Powers, chaos spread through eastern Europe. Revolutionary conditions prevailed in Russia, Austria, Hungary, and Bulgaria. In Rumania a dry year, combined with the dislocations caused by the war and the German occupation, left the peasants hard pressed for food. The action of the Marghiloman government in dissolving the constituent assembly had increased their doubts in the good faith of any government. Tension was heightened by the revolutionary activity among the Rumanians in the neighboring regions of Transylvania, Bucovina, and Bessarabia, which had been or were shortly to be incorporated in Greater Rumania.

The Agrarian Reforms of 1918–21

Immediately after the armistice, on November 12, 1918, King Ferdinand issued a new proclamation reaffirming his pledge of 1917.

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over, the process of incorporating the new provinces into Greater Rumania did tend to level out the differences in the laws. The reform in the Old Kingdom was altered somewhat by the more radical atmosphere in the provinces. On the other hand, the Bessarabian, Bucovinan, and Transylvanian reforms were considerably modified by the time the parliament ratified them in 1921. National interest, as conceived of in Bucarest, demanded equilibrium, if not complete similarity, between the various agrarian laws.

An element of xenophobia, in the form of discrimination against foreign landowners and minorities, also appeared in the agrarian reforms and was the subject of the interminable case of the Hungarian optants, which was before the Council of the League of Nations throughout the 1920's. Unquestionably certain of the expropriation provisions were directed against the non-Rumanian minorities, and in Transylvania and Southern Dobrogea the execution of the reforms had a decidedly nationalist tinge. On the other hand, since the Rumanians in the new provinces usually included the poorest strata of the population, and many of the larger landowners were members of the minorities, it was inevitable that the leveling process of the land reforms should have benefited the Rumanians at the expense of the minorities. In any event, nationalist discrimination was a by-product of the land reforms, not a primary incentive.

At the conclusion of the First World War Rumania, in spite of terrible human and material losses, seemed to be entering a new and promising era. By an extraordinary combination of circumstances a united Greater Rumania had been achieved. The acquired territories with their resources and industry promised to add a new dimension to the Rumanian economy. The passage of the land reforms gave hope for greater social stability and the eventual growth of a prosperous peasant agriculture. The revolutionary fever subsided, the peasants had not revolted, a general strike of workers in 1920 had been successfully suppressed, and although new parties and politicians appeared on the scene, the continuity of the Rumanian monarchy and government stood unique in eastern Europe. But the two basic problems of Rumanian history remained: a weak power position and a backward economy. The first did not present an immediate threat because of the exhaustion of neighboring great powers through war and revolution. The task of adjusting the economy to a more advanced and rapidly changing world economy faced the nation immediately as Rumania began to repair the damage caused by the war.

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IV

TOWN, COUNTRY, AND FOREIGN TRADE

Rumanian Industry

INDUSTRY has a Jekyll and Hyde role in the minds of many Rumanians. It is regarded as the potential savior of the economy through its ability to increase national productivity and to absorb surplus agricultural population. At the same time it is accused of exploiting the countryside and of gaining all the rewards. These two views are not necessarily mutually exclusive.

Before the First World War industry in the Old Kingdom was relatively undeveloped; the two most important industries were petroleum production and lumbering, both largely financed by foreign capital and both producing principally for export. Industrialization was naturally restricted by the scarcity of local capital and the lack of a trained labor force. Although the economy was predominantly agricultural, the Rumanian government, in 1887, inaugurated a policy of encouraging national industry by means of a high protectionist tariff, partly to avoid the complete destruction of household industries by foreign competition, partly for nationalist reasons.

The acquisition of new territories after the First World War—especially Transylvania with its mineral resources, metallurgical industry, and more highly developed economy—provided additional impulse to industrial expansion. Greater Rumania was moderately well endowed with raw materials: petroleum, fair lignite reserves, some iron, lead, zinc, and salt. Nevertheless, Rumania remained a predominantly agrarian country; in 1930 only 10 per cent of the active population was engaged in industry.

The growth of industry in the Old Kingdom in the first third of the twentieth century is shown by the following figures:[1]

	Number of industrial enterprises	*Personnel*	*Horsepower in enterprises*
1901	62,188	168,198	60,744
1930	58,892	279,897	623,442

The decrease in the number of establishments and the increase in horsepower show a concentration of industry in larger undertakings

1. Madgearu, *Evoluția economiei românești*, p. 138.

3: Roberts S-4 (no date)1951 EDl Rumania EDl

178 433 and the decline of small shops. Against the increase in personnel employed must be set the growth of population from 5,957,000 in 1899 to 8,791,000 in 1930.

The rate of growth was somewhat slower in Transylvania, which had a more important industry at the beginning of the century than the Old Kingdom:[2]

[162]

	Undertakings	*Personnel*	*Undertakings with less than 20 employees*		*Undertakings with more than 20 employees*	
			No.	*Personnel*	*No.*	*Personnel*
1900	94,112	212,599	93,651	153,223	461	59,376
1930	59,040	269,623	58,000	123,260	1,040	146,363

According to the 1930 census there were 140,948 industrial enterprises in all of Rumania employing 616,743 persons; 130,433 were small shops employing between 1 and 5 persons. The chemical industry, including of course the petroleum industry, had the greatest capital investment, followed by the food, metallurgical, and textile industries. The food industry was most important in terms of value of output, followed by the textile, chemical, and metallurgical industries.

Except for a slump in the depression years, which was overcome by 1934, Rumanian industry experienced a fairly constant growth during the interwar period. The years 1921–26 were spent in recovering from wartime destruction, but by 1938 manufacturing production stood at 177.9 as against 100 for the year 1913:[3]

INDEX OF MANUFACTURING PRODUCTION (Base: 1913 = 100)

1913	100	1927	118.8	1934	167.8
1921	47.2	1928	131.8	1935	165.2
1922	73.2	1929	136.9	1936	175.0
1923	73.2	1930	132.5	1937	182.0
1924	89.0	1931	140.6	1938	177.9
1925	92.2	1932	111.9		
1926	103.7	1933	136.2		

The recovery and expansion of Rumanian industry after the depression was quite marked; the rate of growth was somewhat above

2. *Ibid.*, p. 140.
3. League of Nations, *Industrialization and Foreign Trade*, p. 137.

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that for world manufacturing as a whole.[4] This recovery was accompanied by a further concentration of undertakings and an elimination of smaller establishments. The emphasis shifted from consumer goods toward capital goods: between 1927 and 1937 the volume of output of capital goods increased by 57.4 per cent, that of consumer goods by 45 per cent. In 1937 the value of the output of capital goods was only slightly less than that of consumer goods.

The rapid expansion of industry, especially of the capital goods industries, contrasts strangely with the backward state of Rumanian agriculture and the generally low level of consumption. In fact, however, the expansion of industry was not closely integrated with the development of the whole of the economy, but was the result of very special circumstances. The growth of capital goods industries did not correspond to the development of an internal market: two of the most important items, petroleum and wood, were primarily for export; the rapid growth of the metallurgical industry was caused by increasing state demands, above all for armaments. (In 1938, 70 per cent of the metallurgical output was consumed by the state.) The growth of the consumers goods industries did not lead to an equivalent increase in consumption. Indeed, in 1937 per capita consumption of most consumers goods was below the 1927 level, since the increase in production was matched by a decline in imports. While it is meaningless to consider the development of an industry as "artificial," since industry almost by definition is the essence of artificiality, nevertheless Rumanian industry was a forced growth, aided by high tariff production, state support, and a relatively high degree of cartelization.

In certain respects the precocious maturity of Rumanian industry resembles the development of Rumanian agriculture in the nineteenth century, in that both were molded by external economic forces of the more advanced West. Agriculture was driven into extensive cereal cultivation by the expansion of commerce; industry, instead of developing gradually from commerce and small crafts, rapidly assumed the Western form of large cartelized undertakings. To be sure, there is no reason why Rumanian industrial development should have repeated the historical stages of Western industry; on the contrary, the fact that the West had evolved a high level of industry made it both unnecessary and impossible for Rumanian industry to pursue the same path; but this hurried adoption of alien industrial patterns was bound to lead to economic dislocations.

4. *Ibid.*, p. 95. Rumanian manufacturing in 1936–38 was 45 per cent above that in 1926–29; for world manufacturing as a whole the increase was 38 per cent.

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What was the effect of this industrial expansion upon Rumanian agriculture? In the first place, it did little to intensify farming, provide it with improved equipment, or lead to the creation of agricultural industries.

> With all the accelerated rhythm of the process of industrialization, the cultivation of the soil and the raising of livestock have not received any notable stimulus toward intensification; food industries based upon agricultural produce have not developed; the textile industry, while well advanced, has neglected native textile plants—flax and hemp—it has stimulated the cultivation of cotton only in the last years, and has provided no incentive for improving the quality of wool; the oil industry has been unable to cause an increase in the production of oleaginous plants, and the introduction of the soy bean in recent years is the result solely of the influence of foreign commercial relations. Finally, the rudimentary and insufficient technical investment in agriculture and the minimal importance of chemical fertilizers illustrate the absence of any positive influence in this direction by the metallurgical and chemical industries.[5]

In the second place, industry in the interwar years, while growing rapidly, was in no position to absorb the excess labor force which was accumulating in agriculture in the absence of a more intensive cultivation. Between 1929 and 1938 personnel engaged in manufacturing industries increased by 90,000 or by about 10,000 a year, whereas the annual rural excess has been estimated at between 100,000 and 200,000.[6] Rumanian industry at its existing level was clearly unable to provide much relief to agricultural overpopulation.

It may be concluded, then, that the development of Rumanian industry was of little direct benefit to agriculture, either in improving or intensifying cultivation or in absorbing surplus labor. It has been maintained, on the contrary, that the advance of industry was at the expense of agriculture, a common complaint in most agrarian communities. Two preliminary observations should be made in this connection. In a society which is advancing there is a natural tendency for agriculture to play a relatively smaller part, the proportion of income spent on food is less, and agriculture's share in the total income declines. Moreover, since agricultural supply is less elastic than the supply of industrial products, agriculture is more apt to suffer in the event of price fluctuation. In a depression a price scissors is likely to occur; in the period 1929–39 this effect was very strong in

5. Madgearu, *op. cit.*, p. 190.
6. *Ibid.*, p. 82.

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Rumania and undoubtedly served to maintain agriculture in a depressed condition.[7] These, however, are general tendencies which, in theory at least, should adjust themselves in time; in the long run, and on the assumption of mobility in the factors of production, an equilibrium should be reached between agriculture and industry. But apart from such general factors, did the specific form of the development of Rumanian industry work to the disadvantage of agriculture?

A Yugoslav rural health worker, in describing the relations between town and country in the Balkans, concluded that agriculture was losing in the exchange of goods: [8]

A survey undertaken in several rural countries on the nutritional status of the population showed that there exists undernourishment among a large number of the rural population, and that agricultural products are exported from rural countries without consideration of the nutritional requirements of the people. The reasons are purely commercial. The industrial products imported into the rural countries in exchange serve merely the urban population and industrial establishments from which the farming population derives comparatively small benefit. To cover their money requirements, the farmers owning small holdings are usually compelled to sell the best products of their farms to the town people. Thus they are helping the cities and industries, themselves remaining far in the rear in regard to sanitation, housing, health, and general education.

The Rumanian economist Manoilescu undertook to demonstrate that in the Rumanian trade triangle between countryside, town, and foreign market, the countryside received far less in the way of goods

7. Madgearu, *op. cit.*, p. 80:

(1929 prices = 100)

	Price of agricultural products	*Price of industrial products used by agriculture*	*Relation*
1929	100.0	100.0	100.0
1930	68.2	98.0	69.6
1931	50.8	86.6	58.7
1932	47.7	80.9	59.0
1933	44.9	81.1	55.4
1934	44.1	82.6	53.4
1935	48.4	90.2	53.7
1936	54.0	95.4	56.6
1937	64.6	101.8	63.9
1938	67.1	99.2	67.6
1939	72.7	112.5	64.6

8. Andreya Stampar, "Observations of a Rural Health Worker," quoted in *International Journal of Agrarian Affairs*, *1*, No. 1 (October, 1939), 71.

3: Roberts S-4 (no date)1951 ED1 Rumania ED1

V

POLITICS IN GREATER RUMANIA

THE political history of Rumania since 1922 has been extraordinarily involved and unstable, frequently verging on the absurd but ultimately tragic. Economic circumstances as outlined in the preceding section have contributed to the continuing instability both through the tangle of political issues which they have produced and through the demoralizing effect upon political life of widespread and chronic poverty. Two important qualifications must be made, however.

While it is true that the task of finding remedies to Rumania's economic difficulties was forced upon all successive administrations, the governments rarely acted on the basis of purely economic considerations. A strong economic nationalism, in part arising from the desire to defend the acquisitions of Greater Rumania against Hungarian, Bulgarian, and Russian irredentism, determined policy during most of the years after the First World War.[1]

The unhealthy condition of politics stemmed not merely from the poverty of the peasants but from the fact that they were not really included in the political life of the nation. In 1924 Professor Rădulescu-Motru observed that "The passivity of the peasantry has been the principal cause of Rumania's immorality." [2] Even the Peasant party had its ideological origins in a literary movement, and the leaders of the party were, in the main, professional men and intellectuals. To be sure, in all countries there is a divergence between the direction and active membership of a political party and the mass of the electorate, but it was carried to an extreme in Rumania because of the vast gulf which had existed for centuries between the peasant and his rulers. Parliamentary politics, including even the names of parties, had been copied from the West in the nineteenth century by sections of the ruling groups anxious to modernize Rumania. Since these imported parties had little to do with the great majority of the

1. For a discussion of the effects of national interests upon the economic policy of all the Danubian states in the 1920's see Leo Pasvolsky, *Economic Nationalism of the Danubian States* (New York, 1928). Antonin Basch, *The Danube Basin and the German Economic Sphere* (London, 1944), gives a sympathetic appreciation of the difficulties confronting these states in shaping their economic policy.

2. C. Rădulescu-Motru, *Ţărănismul, un suflet şi o politică* (Bucarest, 1924), p. 87.

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665 liberal commercial laws, but with anti-semitism at their base; we have introduced universal suffrage, but with ballot stuffing; we have ruined rural households in order to increase credit institutions, but we have not permitted free competition among these institutions, but have favored some—those belonging to us—and have attacked others—those belonging to our adversaries; we have encouraged national industry, but not for the benefit of the rural population, as would have been right, since they made the sacrifices, but for the benefit of politicians who are pensioners of this national industry; we have centralized the administration of the country, but not in the hands of a trained bureacracy but in the hands of the party and its partisans; in a word, we have aped the European bourgeoisie in form, but at bottom we have persisted in the sycophantic habits of the past. In this way we have transformed political life into a hopeless turmoil.[33]

Economic and Agrarian Policy

665 ●178 The 1911 program of the Rumanian Liberal party stated that "The agrarian question has undoubtedly been the chief preoccupation of the Liberal Government," but, significantly, went on to say, "A country in such geographic conditions and with its natural wealth cannot remain exclusively an agrarian country." [34] The second phrase was to be the dominant theme of the Liberals, and in the guidance of their actual conduct certainly overshadowed whatever agrarian preoccupations they may have had.

In November, 1921, just before its return to power, the party held a general congress and adopted a new program, suitable to the needs of Greater Rumania.[35] Like most political programs it attempted to promise all things to all people. The workers were to have an increased share in the benefits of industry. The agrarian question was seen as not merely one of property relations but of production. Better farming techniques were to be introduced, and the party undertook to encourage agricultural education, expand peasant credit, and organize the sale of agricultural products on a cooperative basis. Measures would be taken to enable the peasant to make use of forest land. As regards general economic policy:

> The point of view of the National Liberal Party has long been known: the development of the wealth of the country, principally by labor, initiative, and Rumanian capital. This policy assured the economic inde-

33. C. Rădulescu-Motru, *Țărănismul, un suflet și o politică*, p. 43.
34. *Istoricul Partidului Național-Liberal*, pp. 196–199.
35. *Ibid.*, pp. 231–234.

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pendence of Little Rumania; it will assure the economic independence of Greater Rumania. Such a policy does not exclude the collaboration of foreign capital, but it wishes to have relations of sincere collaboration with such capital, not relations that will degenerate into a monopoly, dangerous to the national sovereignty and leaving the Rumanian nation poor in one of the richest lands of Europe.

As in 1911, the 1921 program combined a professed interest in the agrarian sector with a determination to develop the wealth of the nation—i.e., to industrialize—primarily through local initiative and capital.

Facing this optimistic program was the bleak reality of Rumania, devastated by the war but with extensive new territories whose economies were as yet unintegrated. Because of the campaign against Bela Kun's Hungarian Soviet republic in 1919, the war had lasted a year longer than in the West. By 1921 some recovery had been made and the first postwar budget presented, but the principal work of recovery and unification still lay ahead. The Liberals attempted to achieve recovery and industrialization simultaneously; in this effort, which strained Rumania's limited economy, interest in agriculture occupied a second place.

1. UNIFICATION OF THE ECONOMY

Before the First World War, the Old Kingdom, Bessarabia, Bucovina, and Transylvania had belonged to entirely distinct economic organizations, and their amalgamation after the war involved not merely administrative and financial readjustments but a complete reorientation in transport, commerce, and communications. The process of reorganization required a number of years, and indeed was not really completed by the end of the interwar period. Western Transylvania and the Banat suffered from the disruption of their ties with the Hungarian plain, the more so as industry was moved toward eastern Transylvania for reasons of security. Bessarabia seems never to have recovered from the loss of the Russian market for its agricultural produce.

A number of steps toward unification had been made before the Liberals came to office. Administrative centralization began under General Averescu in 1920; the various agrarian reform laws had been coordinated in some measure. In 1920 Russian rubles and Austro-Hungarian crowns had been exchanged for lei. This process was carried forward under the Liberals. The law of February 23, 1923, unified the tax system for the whole of Rumania. Banks of the Old King-

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dom, many of which were controlled by the Liberals, extended their influence into the new territories, either by absorbing local banks or by setting up branch offices.[36] The nationalization laws of 1924, which will be discussed presently, increased the participation of the Old Kingdom in the industrial life of the new provinces. These measures evoked threefold criticism: the provinces complained that they were being exploited to the benefit of the Old Kingdom; the minorities, especially the Hungarians, complained that they were suffering discrimination; the opposition parties charged the Liberals with using their official status and banking connections for the personal advantage of party members. Although it is next to impossible to find the core of truth in Rumanian financial scandals, there is little reason to doubt that the acts of unification and centralization were to the advantage of the Old Kingdom as against the provinces, of the Rumanians as against the minorities, and of the Liberal party as against all comers.

Transylvania with its relative wealth was the happy hunting ground for such activities (Bessarabia suffered wretchedly from the administrative centralization, but seems rather to have been a place of exile for unsuccessful administrators and political black sheep). National Bank credits were more generously supplied to Rumanian than to Magyar banks.[37] In 1929 the National Peasant economist, Virgil Madgearu, charged the Liberals with having introduced the law for the nationalization of methane gas for the purpose of gaining control over Transylvanian industries.[38] On the other hand, as Mr. C. A. Macartney has pointed out, the actual effect of "nationalization" upon the minority firms in Transylvania was less than might have been expected because of the generally lax way in which the measure was applied.[39] With respect to taxes there was a general belief among the Transylvanians that they were paying more than their

36. Alfred Bonafous, "Les grandes banques d'affaires de Roumanie," *Revue d'économie politique*, 36 (Paris, 1922), 323–340.

37. C. A. Macartney, *Hungary and Her Successors*, p. 322.

38. G. C. Logio, *Rumania*, p. 125. According to Madgearu, an exclusive monopoly for the production of methane was given to a Liberal group, who supplied gas to industrialists at excessive prices, forcing them out of the market and leaving it free for rival firms belonging to Liberal confreres.

39. "The 'nationalization' of the minority firms has consisted in the practice of putting in a few Rumanian directors, who are given a packet of free shares or allowed to buy them at a nominal rate. After this, the average Rumanian director has been perfectly content to fill the role of guinea pig, his contribution to the business being to protect it against the Government. As most of these directors are Liberal politicians, they have usually been able to do so effectively. The activities of the 'Special Economic Commissions' have thus, paradoxically enough, been the strongest defence for the minority firms." Macartney, *op. cit.*, p. 324.

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share, because of stricter tax collection, and were receiving less in the way of public benefits.

2. RECOVERY

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In tackling the problem of economic recovery the Liberal Minister of Finance, Vintilă Brătianu, adopted a policy of stern but primitive retrenchment. A dogged and truculent nationalism was manifest in the futile effort to revalorize the leu, in the restrictive tariff schedules, and in the suspicious attitude toward the investment of foreign capital. While his policy did achieve some desirable financial housecleaning, it was a strait jacket on the Rumanian economy and signally failed in its major aims. The fault, perhaps, lay not so much with his ideas as such, which did show a sturdy desire that Rumania should stand on its own feet, as with the fact that his goals and technique were not in accord with the potentialities of the Rumanian economy and administration.

One of Vintilă Brătianu's paramount aims was a balanced budget, which he saw as the keystone to the country's economic well-being. Between 1919 and 1922 the budgets, even though they made no provision for servicing the national debts, showed deficits which were covered by new issues of paper currency. He set about to balance the budget by cutting expenses to the bone, by covering expenses solely from the normal resources of the state, and by giving the budget sufficient elasticity to meet the fluctuations of the currency. Beginning with the fiscal year 1922–23 the budget showed a constant surplus of revenues over expenditures. Later reports of the French technical adviser to the National Bank indicate, however, that the announced surpluses in this period were in fact either nonexistent or far smaller than would appear from the accounts.[40] He also succeeded in consolidating part of Rumania's considerable foreign indebtedness by means of a British loan and in arranging for regular means of payment of a portion of the nation's debts.[41] These measures were necessary in clearing up the complete economic chaos of the war years; they did not, however, succeed in really strengthening the economy.

40. According to the Royal Institute of International Affairs, *The Balkan States: I. Economic*, p. 48, somewhat the same thing occurred in all the Balkan states. After 1924 most of them showed a budgetary equilibrium that was, in fact, largely fictitious, partly because of doubtful accounting techniques, and the continued increase of expenditure even after the *de facto* stabilization of the currencies, indicating that the budget equilibrium was dependent upon continued rising prices.

41. V. V. Badulescu, "La Dette publique roumaine," *L'Economiste roumain*, 2, No. 4 (April, 1926), 111–114.

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VIII

THE CAROLIST PERIOD: DEPRESSION, 1930–38

●178 ALTHOUGH the ten years between 1930 and 1940 were increasingly dominated by the figure of King Carol, and in that sense may be considered as a unit, three more or less distinct phases are observable: a period of confusion and transition from 1930 through 1933, a period of uneasy stability from 1934 to 1937, and a period of crisis from 1938 to 1940. These phases resulted from a complicated intermingling of economic, political, and international circumstances.

[645] On the international level the decade witnessed the return of the most decisive of all factors in Rumanian history: the impact of great power interests, which had been relatively in abeyance during the first years after 1918 with the collapse of the German, Austro-Hungarian, and Russian empires. As has been seen above, Rumania has been fated throughout its history either to be within the orbit of a great power or caught in a conflict between two or more great powers. Its independence in the nineteenth century had been achieved through a temporary equilibrium of these foreign forces, and the creation of Greater Rumania was possible only because of the power vacuum in eastern Europe. The 1930's saw the revival of Soviet Russia and the hectic ascendency of the Third Reich. The predominance of German influence in the late 1930's and the special turn of events given by the German-Soviet pact of 1939 were of decisive importance in determining the course of Rumanian history.

Internal politics advanced in three stages: a time of political uncertainty accompanied by rapid changes in the government, the breakdown of the older parties, and the burgeoning of new movements; a period of apparent stability during the four years of the Tătărescu administration from the end of 1933 to the end of 1937; a period of royal dictatorship which began with Carol's dissolution of all political parties in 1938 and ended with his abdication and flight after the territorial losses of 1940.

178 Economically, the picture was one of continuous slump until 1934, and then a slow rally accelerating until the outbreak of war in 1939. Industry was the chief gainer; agriculture barely recovered from the losses of the depression. Economic policy underwent a tremendous

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change, in Rumania as elsewhere, from a paralyzed economic liberalism to increasing controls in commercial, financial, and industrial activity.

King Carol's own role in all these developments is rather elusive. In the intricate game of political maneuvering his shrewdness is seen in the fact that starting from a weak position he not only established himself but drove all other political groups into the wilderness or prison. But for all his adept political manipulations and his flamboyant propaganda there is something unsubstantial about his reign, and nothing seems less real than his dictatorship. While he was not, as king, the frothy playboy the international press had depicted, he did not, either in his ideas or actions, show himself to be a statesman of any magnitude. He had a strong bent for personal rule, to which he attached some rather inconsequential corporatist clichés and an exaltation of the "younger generation." He seems to have had no coherent set of economic ideas beyond a romantic notion of himself as the first peasant, the first laborer, and the first public servant of his realm. The real economic direction came not from Carol but from the increasingly powerful industrialists who came to the fore in the years after the depression.

Survey of Political Events

Between Maniu's resignation in October and the accession of the Liberals in November, 1933, Rumanian political and economic life was more than usually bewildering and confused. The depression was undoubtedly largely responsible for the feeling of panic and uncertainty apparent in the governments of these years. At the same time, the political events were not wholly a reflex of the immediate economic influence but had a certain logic of their own. Rumania's quasi-parliamentary party system was beginning to crumble, extraparliamentary groups were moving into the foreground, and Carol made his first if not successful effort to reorganize political life according to his own lights. These developments proceeded from sources deeper than the depression, though they were intensified by it; they were a part of that profound social crisis which has stricken most of the world in the last thirty years.

The National Peasant cabinet, reconstituted under Mironescu after Maniu's resignation, had a brief and unhappy career. Mironescu was an altogether colorless figure; the government during his term in office was halting and hesitant in its actions, and showed none of the enthusiasm of 1929. Carol was known to feel that the old parties—

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2) the distinctly undemocratic implications of this evolution in economic ideas, at least in their Rumanian context.

It would be absurd to suppose that the actual development of Rumanian economic policy was based upon any such theoretical considerations, but there is a reasonably close parallel between the progress of Manoilescu's ideas and the development of the economic and industrial policy of the Rumanian government from that of the old Liberals under Vintilă Brătianu to that of the Liberal government of the 1930's. Although the old Liberals had favored a program of industrialization with state support, it was handled primarily through the private banks, controlled by the Liberals, and was directed chiefly toward extracting natural resources and creating secondary industries. Moreover, the tight-fisted fiscal policy of Vintilă Brătianu had served as a check on economic activity.

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After 1933 industrialization proceeded at a much more rapid tempo and in a somewhat different direction. The private banks after the depression played a less important part in financing industry; the principal initiative was by the National Bank or the state itself, both through state-owned corporations and through the growing importance of the state as consumer of industrial products. Expansion was most extensive in heavy industry; large cartels appeared and there was a notable concentration of industrial activity. Between 1933 and 1938 the number of "large" industrial concerns (i.e., with at least 20 workers and more than 10 horsepower) increased only from 3,487 to 3,767, whereas the installed horsepower increased from 529,965 to 746,789, and the employed personnel from 184,777 to 289,117.[24] The horsepower employed in capital goods industries increased from 287,266 in 1932 to 452,870 in 1937, as contrasted with a more modest increase from 237,442 to 289,666 in consumer goods industries. The output in quantity of capital goods had by 1937 increased by 57.4 per cent over the 1927 level, consumer goods by 45 per cent.[25] The production of steel, which had hit a high of 143,511 metric tons in 1928, and dropped to a low of 103,046 in 1932, rose from 144,766 tons in 1933 to 276,532 in 1938.[26] There was no doubt that the policy was directed toward heavy industry and was having results.

Two important reasons for this industrialization were, of course, the depression and the rearmament program. The collapse of the grain market and the spread of agrarian protectionism among the

24. Madgearu, *Evoluția economiei românești*, p. 149.
25. *Ibid.*, p. 160.
26. *Breviaire statistique de la Roumanie* (1940), p. 164.

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industrial states naturally stimulated Rumania, as it did the other Balkan states, to create its own industries. The growing international tension in the 1930's led to a heavy demand for arms and munitions. In 1937 the president of the Rumanian union of metallurgical and mineral industries stated that the principal characteristic of the years of recovery had been the large industrial investments, especially for the purpose of creating a powerful armaments industry.[27]

But if the depression and the demand for armaments stimulated industrialization, they in turn assisted in the rise of very powerful industrial interests, which progressively dominated not only the economic but the political scene.[28] These years witnessed the rise of such industrial giants—giants at least in Rumania—as Max Auşnit and Nicolae Malaxa. These men represented a different type of influence from that of the Brătianus. The latter, through their position in the banks, had equated the Liberal party with a policy of industrial advance through the financial institutions, but they were primarily politicians. Auşnit and Malaxa, on the other hand, were primarily industrialists who were able political manipulators but whose field of action was outside the political arena. It might be added that King Carol himself, who operated "outside" politics, was by no means disinterested in industrialization and had a large personal stake in the new industries.[29]

Rumanian industries, and especially the new heavy industry, required both protection and capital. Industrial protection had marked the whole history of Rumanian tariff policy, and even the National Peasant tariff of 1929 did not renounce it. But the new devices, developed as defenses during the depression, became far more potent weapons than any which had existed heretofore. Indeed, they were far more effective in assisting industry than in fulfilling their ostensible function of safeguarding national finances and the currency.[30]

27. Quoted in Pătrăşcanu, *op. cit.*, p. 26.

28. An example is the Skoda scandal of 1935, in which a storm was raised over a contract for armaments made by the National Peasants with the Czech Skoda works in 1930. Although an effort was made to involve some National Peasant ministers in charges of graft, the real cause of the scandal appears to have been that the contract had been made "without regard for the law concerning national armament activity."

29. For obvious reasons it is difficult to ascertain the extent of Carol's industrial interests. According to Pătrăşcanu (*op. cit.*, p. 48), in published reports of enterprises in which he was a shareholder Carol held 30 to 35 per cent of the shares of the Malaxa works, and almost as much in several smaller industries. Four of the largest sugar mills were in his hands, as well as a beer factory. He had important shares in the gold mines and the telephone company and a large control of Banca de Credit Român.

30. Rumania's exchange position and the leu never achieved any stability despite the most elaborate series of measures. I would agree with Antonin Basch's conclusion (*The Danube Basin*, p. 148) that the signal failure of Rumania either to achieve cur-

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642 and a couple of days later, with the agreement of Maniu and Constantin Brătianu, demanded his abdication. Carol fled the country, with Mme Lupescu and Colonel Urdareanu, the core of his camerilla. For Rumania, however, the absurd result was that popular indignation over the loss of Transylvania at the hands of the Axis merely placed in power an ardently pro-Axis government which immediately recognized the Vienna Decree.

Economic and Agrarian Policy

● 178 In the economic sphere the years of the Carolist dictatorship show four important characteristics:

1) a continued emphasis upon industrialization;

2) a reaction against small peasant agriculture and a growing agricultural paternalism;

3) increasing regimentation of the economy, both for economic planning and for military preparedness;

4) the growing dominance of Germany in Rumanian economic life.

The policy of industrialization which had got under way after the depression continued its course of expansion under the dictatorship, with the additional stimulus of the menace of war. After the outbreak of war the restriction of trade channels and raw material imports reduced industrial production somewhat. The loss of territory in 1940 produced, of course, a general dislocation of the economy. Industrial policy, however, was merely the culmination of the whole trend of the Carolist regime.

In the field of agrarian policy there was a noticeable reaction against small peasant holdings and renewed talk of creating a middle peasantry. As has been seen, the policy of all Rumanian governments on this question has been confused and contradictory. The National Peasants in 1929, by relaxing regulations for the transfer of peasant property, had hoped to create more prosperous and self-sustaining holdings, but their action had rather the effect of dispossessing the small peasant. On the other hand, the debt conversions of 1932–34 had the opposite effect and in a negative way were, as Garoflid called them, a new peasant resettlement in that they limited the effect of the economic crisis in weeding out the weaker peasants. The Tătărescu government had attempted to colonize relatively underpopulated areas with medium holdings and by the law of 1937 had tried, ineffectually, to check the subdivision of land.

642 654 Under the Carol dictatorship somewhat more extensive measures

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In January, 1948, the Statistical Institute of the new Rumanian People's Republic undertook an agrarian census to ascertain the distribution of land after the 1945 reform. Unfortunately, this census does not permit satisfactory comparison with that of 1941. It presents a table, comparing the number of agricultural exploitations in the various categories of size for 1941 and 1948, which shows, as might be expected, a decrease in the number of dwarf holdings under ½ hectare and of large holdings over 20 hectares, and a marked increase in the number of exploitations between 1 and 5 hectares. However, since the amount of area occupied by these categories of exploitations is not given and it is unclear whether the same types of land (especially forests and pastures) are included in both cases, the comparison is not very illuminating and may be misleading.[43] It was obvious, however, that the land reform of 1945 did not, as it could not, create a nation of prosperous small-holders. Indeed, the conclusion reached as to the size of Rumanian exploitations has a very familiar ring: "If 3 hectares represents in general the minimum lot necessary to sustain by farming a household of 4 persons, then more than half of the agricultural exploitations of Rumania fall short of this level and are obliged to have recourse to outside income." [44] To be sure, this sour note was not the one prevailing in 1945 and 1946, when the reform was being pushed through, but anticipated the new agrarian line taken up in 1948.

In judging the 1945 land reform, it is necessary to realize, however, that it was not a Rumanian reform but had its sources in the Soviet Union, and that its immediate aims were political not economic.

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for hundreds of years, were greatly reduced by the wholesale transfer of nearly the entire able-bodied population to the Soviet Union in the winter of 1944–45. Undoubtedly a high percentage of the Germans had been actively pro-Nazi, but the Soviet order paid no attention to any such criteria.

43. Number of agricultural exploitations (excluding Northern Transylvania):

		1948		*1941*	
Size of exploitation		*Number*	*Per cent*	*Number*	*Per cent*
Total		2,596,900	100.0	2,303,472	100.0
0–½	hectare	190,169	7.3	277,500	12.0
½–1	"	246,016	9.5	213,088	9.3
1–3	"	933,383	35.9	760,700	33.0
3–5	"	604,540	23.3	441,213	19.2
5–10	"	462,607	17.8	449,716	19.5
10–20	"	122,262	4.7	116,537	5.1
20–50	"	26,607	1.0	27,845	1.2
Over 50	"	11,316	0.4	16,873	0.7

A. Golopenţia and P. Onica, *Recensământul agricol din Republica Populară Română, 25 Ianuarie 1948. Rezultate provizorii*, Institutul Central de Statistică (Bucarest, 1948). For further details of the 1948 census see the Appendix. It appears that a good deal more land was included in this census than in 1941.

44. *Ibid.*, p. 18.

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423 ● 178 Although it was represented as the manifestation of the wishes of the broad masses of the Rumanian peasantry, it seems evident that the main outlines of the law were not drafted in Rumania at all but in Moscow. A comparison of the texts of the Rumanian land reform law with those for the provincial administrations of the Soviet Zone of Germany, passed in the summer of 1945, reveals striking parallels. With the exception of the size of property subject to expropriation (in Germany properties over 100 hectares were to be expropriated), the laws were altogether similar and in certain sections employed identical phrases.[45] Whatever the merits or faults of the reform, it was not a local measure but part of a more general agrarian policy being prepared for a much larger area.

In its general lines and intentions the agrarian reform clearly derives from Lenin's interpretation of class relations in a predominantly agrarian society: the need of eradicating the feudal remnants and of gaining the support of the peasantry by fulfilling its desires for land. In its specific context it was an important part of the National Democratic Front's attempt to obtain mass support in its political campaign. As a means of obtaining positive popularity among the peasants it may be doubted whether it was a great success, and there is no satisfactory evidence that it won the Groza government an enthusiastic peasant following. In the first place, it was physically impossible to grant the Rumanian peasant sufficient land to make him a satisfied and prosperous cultivator. Moreover, the peasants have always felt that the land was theirs and they have never shown themselves particularly grateful to those who parceled it out. On the other hand, the Communists' interest in winning over the peasantry should not be understood as merely a desire to gain popularity. The whole purpose of Lenin's peasant policy was to "neutralize" the peasantry at critical junctures in the party's progress so as to make sure it did not become actively hostile. As such a guarantee it was, perhaps, more successful.

The importance of the agrarian reform in eradicating feudal residues was indirect rather than direct. The Communists undoubtedly

45. Cf. *Frankfurter Zeitung*, September 12, 1945, which gives an account of the German laws. Both reforms started with the same formula that agrarian reform was a national, economic, and social necessity. In both laws local committees of poor peasants were to prepare the land lists, peasants with less than 5 hectares were entitled to land, payment could be in money or kind, with a 10 per cent payment the first year, although poor peasants could obtain a three-year moratorium. The price of the lots was the equivalent of one year's produce. New properties could not be sold, mortgaged, leased, or broken up. Farm machinery was to be placed in a common pool. These similarities are obviously no coincidence, and it is certainly unlikely that the German provincial administrations should have copied the Rumanian land reform independently.

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exaggerated the economic importance of the boyars and the extent of their holdings. Nevertheless, a certain boyar spirit still prevailed in Rumania and the fact of land ownership continued to be a mark of prestige.[46] The agrarian reform, in this respect, was probably effective in removing one of the symbols, if not the real source of strength, of Rumania's traditional ruling group.

As an equalitarian measure the land reform undoubtedly has an emotional appeal. When one has followed the history of the agrarian question in Rumania and the way in which the landed interests held out against the peasants until forced to grudging compromises; when one has seen the peasant humbly removing his *căciulă* as the landowner passed, and has perceived the chasm between the peasant and his rulers, one is moved by a feeling that retributive justice has been done. Retributive justice, however, does not reconstruct a society, solve economic problems, or even guarantee that the peasant will not be burdened with a new master.

The immediate economic effects of the reform were unfavorable but should not be exaggerated. The law was applied in the midst of spring planting, and the carefully planned spontaneity of its execution undoubtedly caused a decline in production. Some well-organized large properties were broken up in the process, but on the whole the output of Rumanian large properties had not been very impressive and much of the land was let out. Their function as guides to improved cultivation could certainly be taken over by model farms.

In its professed aim of creating a prosperous peasant agriculture, the agrarian reform alone could have only marginal value, although it undoubtedly provided a temporary relief for a number of peasants. It did not solve the problems of overpopulation, low productivity, strip farming, and the progressive fragmentation of properties. Although the new allotments were not to be broken up, the reform did, by creating new small holdings, increase the area where fragmentation had been most destructive in the past. Essentially the agrarian reform was only the last step of a process which had been going on in Rumania since 1864—the gradual reduction of estate land and its conversion into peasant holdings. Unfortunately the process had been so slow that it could never be more than a palliative. As the final stage in this conversion the 1945 reform was of much less importance than its predecessor. It should not, however, be considered as merely a last step; for the Communists it was clearly a first step.

46. Moore, *Economic Demography of Eastern and Southern Europe*, p. 137, comments on the persistence of land ownership as a source of prestige and social position in these countries, and on the tendency of the successful tradesman or politician to acquire an estate.

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already enjoys virtually complete control over the country. Moreover, while the Rumanian political and economic structure is steadily approaching, and probably not asymptotically, the Soviet model, the final decision on incorporation will be based—apart from considerations of expediency—on political definitions which a mind not steeped in Leninism-Stalinism would have small chance of foreseeing.[20]

Economic Conditions

Economic developments since 1945 may be divided into two periods: two years, 1945–47, of confusion and distress resulting from the war, Russian withdrawals, severe drought, the agrarian reform, monetary inflation, and the unsettled political situation; since 1947, a period of greater stability, an apparent increase in production, and the beginning of a directed and planned economy. In neither period can one obtain a very satisfactory picture of economic conditions. In the first months there was much administrative disorganization, and the government itself frequently lacked accurate information. The Groza regime has not hesitated from the outset to manipulate statistics for political and propagandistic purposes. Since the tightening of the administration in 1948, Rumania has been as reluctant as the Soviet Union, more reluctant than the other satellites, to publish any measurable economic data. Today, the few figures that appear are given as percentage gains for which it would be exceedingly difficult to supply a reasonably accurate base.

In general, it may be said that Rumania was slower than the other eastern European states to recover from the war, in somewhat the same way it lagged in coming out of the depression. Agricultural production fell off seriously in 1945 and 1946, partly because of the disorganization attendant upon the agrarian reform, but largely because of two years' serious drought. Both the acreage sown and the crop yields, especially in maize, the peasant's source of food, were exceptionally low; in 1946 the level of agricultural production was only 59 per cent of the 1934–38 average.[21] The production of indus-

20. This point is not very important but it is of interest to note that in the exchange of notes leading to Tito's expulsion from the Cominform in 1948, the Central Committee of the Communist party of the Soviet Union, after referring to Kardelj's hope, expressed in 1945, that the Yugoslav government would be regarded as the representatives of one of the future Soviet republics, rather scornfully dismissed his "primitive and fallacious reasoning . . . about Yugoslavia as a future constituent part of the USSR." It did not, however, vouchsafe its own authoritative views on the subject. Cf. Royal Institute of International Affairs, *The Soviet-Yugoslav Dispute* (London; New York, 1948), p. 39.

21. United Nations, Department of Economic Affairs, *Economic Survey of Europe in 1948* (Geneva, 1949), p. 17.

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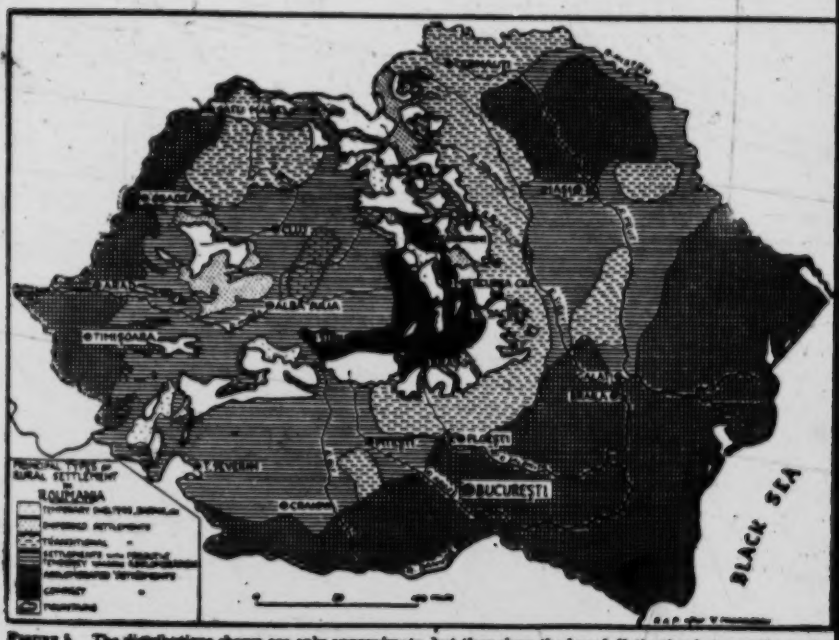

FIGURE 5. The distributions shown are only approximate, but they show the broad distinction between the typical Roumanian settlements ("dispersed" and "transitional") of the mountains and foothills and the compact Saxon and Szekler settlements of the Transylvanian lowlands.

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led naturally towards the tectonic basins of Treiscaune, Ciuc and Giurgiu, though these were not actually occupied until the thirteenth century. The Szeklers did not, however, displace the indigenous Roumanian population in these lowland areas; neither have they maintained the same degree of "contiguous isolation" as have the Saxons. During the nineteenth century in fact, there has been a steady assimilation of the Roumanian peasantry, some measure of which may be gained from the fact that since the middle of the century a Roumanian majority has been changed into a Szekler majority in 109 communes, whereas the reverse process has been effected in only 26 communes. In the former case, large numbers of Roumanians have adopted the dress and religion of the Szeklers, but the Roumanian

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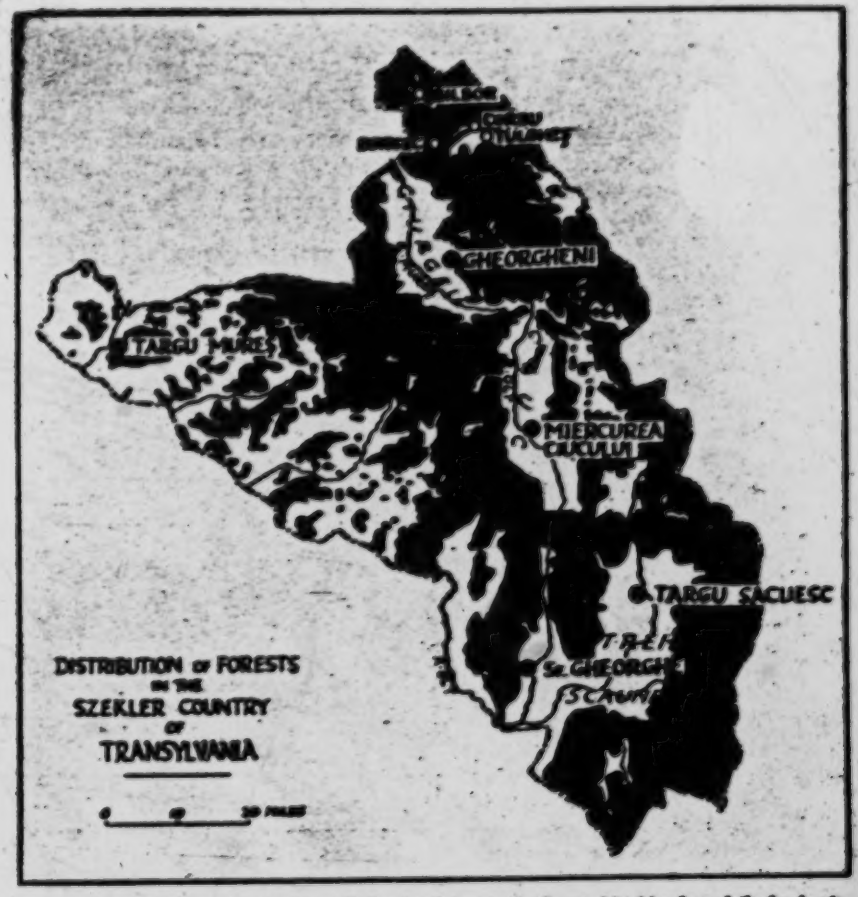

FIGURE 6. This illustrates the sharp distinction between the forested highlands and the lowlands, and should be compared with Figures 5 and 7.

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majorities have resulted from the valleyward movement of families that had previously farmed the slopes overlooking these intermont basins.

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AN IMPORTANT distinction between the Roumanians and the rest of the population is seen in the types and distribution of their settlements (see Fig 5). The former, with their customary attachment to highland areas and to pastoral life, are usually associated with a dispersed or loosely agglomerated

464 722 1941 there were 2,000 unemployed, while in December 1942, it was announced that the Office of Unemployment Statistics had been abolished, as there were no unemployed. Though Rumania's military mobilisation and losses have been extensive, her labour reserves are theoretically still considerable. On the other hand, there is no doubt that both industry and agriculture are suffering a noticeable labour shortage. This is attributable to the low level of mechanisation, internal economic organisation and to the cumbersome administration, so that comparison with western countries is impossible.

1. Agriculture.

464 241 The proportion of the working population engaged in agriculture is extremely high, so that military recruitment has been principally from this source. The structure of Rumanian agriculture, which is mainly peasant farming with a low output per head, has meant that the withdrawal of some 550,000 men has been more serious than it would have been in a country where more up-to-date methods are used, and the remaining labour supply is more mobile. The normal sources of supplementary wartime labour have been drawn on—*i.e.*, the temporary demobilisation of soldiers, employment of children during the summer holidays, and presumably an increased employment of women, although there is no evidence of women having been forcibly transferred to agriculture.

[727] The most valuable supplementary labour, however, has been the employment of Russian prisoners of war, and the demand for their services has exceeded the supply. The number employed in March 1942 was 40,000. These measures to improve the agricultural labour position do not as yet appear to have had much effect.

2. Industry

162 438 178 According to the latest official census figures (relating to the year 1930) 620,000 persons were employed in industry. The following table shows in column 1 the total number employed in the main branches, and in columns 2 and 3 the numbers working in factories employing ten or more people. A comparison between columns 2 and 3 gives an indication of the growing industrialisation of the country.

	1	2	3
	1930	1930	1937
Food	122,000	25,200	34,700
Textiles and Clothing	155,000	34,800	70,500
Metallurgy	101,000	32,000	49,500
Timber	94,000	31,000	44,000
Mining	53,000	n.a.	n.a.

Allowing for the increased industrialisation during the years 1930–39, and for the general increase in the total population to some 20,000,000, it is estimated that by 1939 the number of industrial workers in Greater Rumania would have risen to some 750,000.

With the loss of part of the provinces of Transylvania, Crişana and Maramureş, Rumania suffered a fairly considerable loss in industrial workers, so that added to the expulsion of Jews, repatriation of Germans, etc., and military mobilisation, it is estimated that at the end of [46A] 1942 the numbers engaged in industry would not exceed 550,000.

As in the case of agriculture, the structure of Rumanian industry tends to prevent a thorough rationalisation and concentration of the available industrial labour.

[55b]